GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1888
ANSWERED ON:24.08.2007
MRP LINKED EXCISE DUTY
Chowdhury Shri Adhir Ranjan

Will the Minister of FINANCE be pleased to state:

(a) whether the Government of India suffered losses in Excise Revenue as a result of imposing Maximum Retail Price (MRP) linked excise duty on pharmaceutical products;

(b) If so, the details thereof;

(c) whether prices of non-schedule medicines, which included essential life saving medicines, has shot up tremendously owing to lack of excise deterrent in Tax Holiday State; and

(d) if so, the steps taken by the Government in this direction?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a)&(b) The objective behind levy of excise duty on pharmaceutical products on the basis of retail sale price is to provide certainty in assessment, avoid valuation disputes and tax avoidance through under valuation. This is not a 'tax concession'. Thus question of loss of any revenue on this account alone does not arise.

(c)&(d) In respect of drugs, which are not covered under the Drugs (Price Control) Order, 1995 (non-scheduled formulations), manufacturers are free to fix the prices by themselves without seeking approval of Government/ National Pharmaceutical Pricing Authority (NPPA). Such prices are normally fixed depending on various factors like the cost of bulk drugs, cost of excipients, cost of R&D, cost of utilities/packing material, sales promotion cost, trade margins, quality assurance cost, landed cost of imports. It is a fact that in respect of non-scheduled formulations, prices of various brands are different although composition and weight/pack size are same, because price on non-scheduled formulations are fixed by the manufacturers based on economics of production, which differ from case to case. However, as a part of its price monitoring activity, Government regularly examine the movement of price of non-scheduled formulations and whenever abnormal price increase is noticed, action is taken.